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The Vital Concern of Agriculture in Foreign Trade¹

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THE signing of the armistice on November 11, 1918, marked the beginning of the end of one of the most active, not to say feverish, periods in manufacture and commercial pursuits the United States has ever witnessed. Producing industries of all kinds and the trades dependent upon them had been working at a high pitch which the sudden termination of the war ended, leaving these enterprises with complete organizations and production potentialities that naturally are seeking to find further expression. While domestic business activity is good, a surplusage of producing power exists beyond the absorbing ability of the domestic market. Hence we have an extraordinary interest in foreign trade which feels on the whole that something like the peak-load production of the past two years can be maintained.

As a fundamental proposition foreign trade is no more essential to the United States now than it was in ante-bellum days. This is true in reference to agriculture as well as other industries. Indeed, it is more true of agriculture for, relatively speaking, export trade in agricultural products has decreased progressively during the last fifty years. Since 1850 the foreign commerce of the United States has multiplied over ten times. At that time over 80 per cent of our exports were agricultural products. Official figures published in 1915 showed a reduction in value of the agricultural part of our exports to something over 47 per cent of the whole.

HOME MARKET LARGEST AND BEST

There is a general inclination throughout the country to attach an importance to the development of foreign trade that may not be wholly warranted. At any rate we should certainly be rational in our attitude toward the question and not, as Mark

¹ This paper was read in Chicago on April 24, 1919, at the Sixth Convention of the National Foreign Trade Council.

Twain once expressed it regarding another matter, "try to get more out of an experience than there is in it."

The best and greatest market is the home market. It should first be developed in a thoroughly scientific manner, bearing in mind that the population of the United States has grown from a little less than 76,000,000 to a little more than 105,000,000 between 1900 and 1918, an increase of 29,000,000. This is more than the total population of what was once Austria. It should also be borne in mind that our increase since 1890 has been from less than 63,000,000 to the present population of 105,000,000, the increase of 42,000,000 representing a population greater than the French Republic. Brazil is of course the most populous of all our Latin American neighbors but her population is only about 25,000,000, which is less than we have gained since 1900.

The waste and disturbance of war have been such during the past four years that it seems likely that the demand for agricultural products in the raw and manufactured form to supply civilian needs, as well as for relief and reconstruction purposes, will take precedence over nearly all lines of export. The value of the agricultural products that went into the export trade in 1901 (\$951,628,000) represented 65 per cent of the total value of all exports for that year. The demand for war-making devices and materials in 1917 was so great that the proportion in 1917 was reduced to 31 per cent of the total. During the same time the value of agricultural products imported grew from nearly \$392,000,000, or 47.6 per cent of the total imports, to the value of nearly \$1,404,000,000, or 52.8 per cent of the total imports.

Confining our attention to the more recent past, profound changes have taken place in the quantity of particular kinds of agricultural products exported during recent years. The exports of cattle decreased from 459,218 in 1901 to 18,376 in 1914; those of beef and beef products, so far as ascertainable, from 705,104,000 pounds in 1901, to 151,212,000 pounds in 1914. Pork and pork products decreased from a billion and a half pounds to less than a billion. Corn, wheat, flour and meal, expressed generally in terms of grain, decreased from 397,395,000 bushels to 156,315,000 bushels. Cotton and tobacco, on the other hand, showed a substantial gain between the years mentioned, although there was great fluctuation from year to year.

WHY EXPORT TRADE IS NOW MORE IMPORTANT

Before the war, agriculture's interest in the export trade was chiefly in its function as an outlet for surpluses. It served in this respect to relieve pressure on the domestic market. Production was not undertaken primarily for export purposes, so that exportation varied greatly with the surplus from year to year. So far as producers were concerned, at least, export trade was not regarded as an essential feature of their business, although the trade of course constantly sought export outlets.

The world war has wrought a change in this matter. Producers and other organizations have come to realize the importance of developing export trade. They are asking improvement in methods, expansion in the necessary shipping facilities, specialized services for particular products, such as suitable ships for transporting live-stock, properly equipped space in ships, particularly for American fruits, etc. Because of war conditions they have enjoyed some of the benefits of foreign markets and the competition which they afford, so that they have become interested in trying to hold a fair proportion of the largely increased trade, particularly with Europe. This is neither unnatural nor reprehensible, but is the outgrowth of the trade which came from their patriotic efforts to satisfy the needs of our associates in the war during its progress.

Agriculture is interested not only in the direct export of raw farm products, but it has a very great interest in the export of manufactures produced at home from farm products. Cotton and tobacco manufactures of all kinds, leather and leather products, and many foodstuffs, serve to swell the total of the nation's export trade by calling upon agriculture. It is estimated that in 1918, approximately \$400,000,000 worth of manufactured articles, prepared from the raw materials of agriculture, went into foreign trade.

Normally, raw cotton is the largest single item in our foreign commerce. The approximate annual value of the part of the crop that is exported is \$600,000,000. With the growth of imports from other countries, the national importance of cotton to our trade balances has been very great. Cotton has not enjoyed the protection of a governmental guaranty of price as has wheat; therefore fluctuations affecting the well-being of

millions of producers and laborers have marked the whole war period. A serious situation exists at the present time in the cotton belt, due to inability to find a market for the lower grades of cotton that constitute a part of every crop. Before the war, Germany and Austria took about 3,000,000 bales of our cotton. A relatively large proportion of their takings was made up of low grades. For four years now there has been a tendency toward accumulation of such qualities, so that at the present time, while Middling cotton is bringing a fair price, the lower grades are bringing so much less as to put them practically on the basis of a pre-war value.

Persons not familiar with the cotton situation are inclined to be quite critical of cotton prices. They should bear in mind that for practically two years Middling, the average grade, has in reality been bringing a premium, while all of the grades below Middling have been suffering discounts of great severity. Good Ordinary, the lowest grade of white cotton hitherto deliverable on future contracts, is now priced at least ten cents below Middling, whereas, through many years under normal conditions, its relation to Middling was only from one and one-half to two cents off.

The importance of cotton to the exchange situation and to our trade balances is such as to make this product a national and not a sectional issue. Formerly the cotton producer was even more dependent upon foreign trade than now. With the great increase of spindleage in the United States, home consumption of the raw material and export of manufactures have grown apace. Nevertheless, practically 50 per cent of the crop is still exported in normal years. Shipping conditions, foreign production, financing facilities, foreign stocks and consumption are all of decidedly vital concern to millions of our citizens who grow cotton and to additional millions indirectly dependent upon them.

The United States has always enjoyed a considerable export market for her grain crops. This trade developed in the face of distinctly adverse conditions, largely the outgrowth of our own lack of system and lack of uniformity in the grading of grain and its certification. The normal annual export of wheat before the war, based on a ten-year average, was about 110,000,000 bushels. With the acute need for food, the export of both wheat and flour, in terms of wheat, of the 1918 crop, are expected to be about

300,000,000 bushels. Needless to say, this great quantity will not be exported in future years, as high prices have stimulated domestic production in Europe, and the return of peace will result in a relatively greater satisfying of home wants by home production. Furthermore, this export was enjoyed by the United States in good part, because of the loss of tonnage occasioned by U-boat activities. In the future Argentina, Australia, Canada, India, Algeria and other wheat-producing countries will compete with us for their former proportion of the world's demand.

OBSTACLES TO EXPORTS IN THE PAST

In 1915, the Congress passed the United States Grain Standards Act, which requires the use in all interstate and foreign commerce of grades established by the United States. During 1916, Mr. Moomaw, the specialist in foreign market investigations of the Bureau of Markets, found in Europe a general prejudice against American grain. With few exceptions, importers expressed a disposition to buy such grain only when they could not purchase their supplies elsewhere, or when American grain was decidedly cheaper. This situation arose partly from natural causes. The United States is an enormous consumer of her own products, a condition which naturally results in keeping at home a relatively large proportion of the best qualities of any product. The artificial factors in the situation were absence of uniform grades and enforced use thereof, lack of proper facilities for conditioning grain, willingness on the part of some traders to ship against their export contracts grades that would not satisfy domestic contracts, and lack of knowledge of the proper conditions for successful shipping.

Broadly speaking, commercial competition, with unrestricted markets and freedom of transportation, produces a condition under which there can be but one price at the same time, for the same quantity and quality, of the same commodity, in the same market. Any notable variation from this condition will result in temporary disturbance. A lower price by one enterpriser will tend to result in the exhaustion of his stock in advance of other available stocks. The highest priced stock of any particular commodity will, other things being equal, be the last one to go into consumption.

In the development of our export trade, it is important to keep

such principles and facts as these in mind. It is true that special conditions such as tariffs, financial stringencies, lack of transportation facilities, monopolization, control, etc., may modify to some extent at any time the present operation of these principles. Nevertheless, except in so far as their operation is artificially interfered with, they are always effective. Labor goes where wages are highest. Manufacturers engage in the production of goods, or classes of goods, which promise the highest relative profit. Capital seeks investment where interest rates (with safety) are highest. Buyers generally, the world over, no matter what they seek, go where they can supply their needs at the lowest prices.

PRICES AND QUALITY BOTH IMPORTANT

The first requisite to success, therefore, is that prices be relatively reasonable. This fact, I believe, should particularly be borne in mind at the present time in the marketing of the remainder of our 1918 cereal crop and in the disposal of the huge crop that is promised by present indications for the current crop year.

Producers of grain, in all of the important growing areas, are keenly interested in retaining such part of the present export trade as is possible, having in mind not only the immediate but more distant future. To do this, prices must first be right; but then the business can be held only upon condition that the exporters deliver to Europe grain that compares favorably with that received from other holders. Trade practices also must be conformed to, as far as is compatible with the interests of a producing country, to the desires of the importers. Under the Grain Standards Act, the importer, through his representative in America, can secure, first, inspection by inspectors licensed by the United States government; thereafter, if the inspection itself seems unsatisfactory, they may appeal and have the true grade determined by the representatives of the government itself through the offices of grain supervision of the Bureau of Markets. The finding in such an appeal, issued by the secretary of agriculture, has the value of *prima facie* evidence in all of the courts of the United States.

A widespread interest is manifest among stockmen as to the possible demands in Europe for livestock and livestock products during the readjustment period. In order that they may enjoy

the advantage of the demands and in order to assist in the reconstruction of European herds, they want to know the extent of the possibilities. They want to know if quarantine regulations will be adequately modified, if ships and credits will be available. Owing to the extreme difficulty in securing space and the high rates charged, stockmen are interested to know what the shipping board will be able to do for them. The only rate which the bureau has been able to secure from private lines, is \$150 per head from New York to England. Only one line would quote a rate at all. Others stated they are not interested in this class of cargo.

The breeders of pure-bred stock also are much interested in the possibilities in South America. Brazil seems to be a particularly attractive field and is offering free entry and other inducements to encourage the grading up of its enormous herds of low grade native stock. America has imported pure-bred stock extensively from Europe, and it is significant that now instead of looking so largely to foreign sources for a supply, the industry is meeting home needs and beginning aggressively to look for foreign markets. In connection with livestock products, it is of interest to point out the need of continuing the largely increased export trade in condensed milk. Due to the war demands for concentrated foods, the condensed milk industry expanded enormously during the war. Old plants were increased in capacity, new ones were constructed, and breweries even turned to the production of condensed milk in lieu of beer. The foreign demand was abnormal and inevitably will fall off, but the plants and equipment represent a permanent investment which must be protected in so far as possible. The producers therefore are keenly interested in holding the war trade in so far as possible and in developing all possible new markets.

Mention has been made of the chief lines of interest to agriculture. The fruit and vegetable growers, the poultry producers, the honey and nut producers, the dairymen and the canners are all alive to the possibilities and seek information and assistance in the readjustment of the export trade and the development of new markets.

SERVICES RENDERED BY THE BUREAU OF MARKETS

In order to safeguard agriculture's interest in foreign trade and meet the growing demand for a specialized government service

in connection with this trade, the Bureau of Markets has undertaken to develop special facilities for investigating foreign markets. It has been found necessary to extend many of our lines of work beyond the American seaboard. A Division of Foreign Marketing has been established as a medium through which to carry on the investigations and to coöperate with other government agencies, such as the American Consular Service and the Bureau of Foreign and Domestic Commerce. A special effort has been made to avoid duplication of work and arrangements have been made to that end.

As a means of supplying producers and their organizations and shippers with current information, the bureau recently inaugurated a weekly circular called "Reports on Foreign Markets for Agricultural Products," and, judging from a large number of letters received from all parts of the country, the reports are timely and fulfill a useful purpose.

The following outline sets forth in brief form the general subjects of investigation, the specific activities, and the organization of the foreign trade work now in progress or to be undertaken by the Bureau of Markets as soon as conditions allow. All of the activities are regarded as important, but sufficient funds and facilities will not be available to proceed with them simultaneously or in the immediate future. They will be undertaken, therefore, in the order of their importance as funds become available.

1. The supply of agricultural products in foreign markets and the export surplus in the principal foreign countries with which the United States competes.

2. The consumption and consumptive demands in the principal importing countries.

3. The market preference as to kinds of products and the requirements as to grading, packing, and branding.

4. The channels of trade through which the products pass and the business practices involved.

5. The methods and costs of marketing both American and foreign products.

6. Methods of financing export trade in agricultural products.

7. The export forwarding, storage, transportation and insuring of agricultural products.

8. The economic conditions influencing the marketing of American agricultural products in foreign countries.

9. Trade opportunities for American agricultural products.

SPECIFIC ACTIVITIES

1. *Grain and Grain Products*

a. Continuation of investigations of the physical condition of grain in transit to overseas countries for the purpose of inducing improved stowage methods and thereby reducing the extensive loss and dissatisfaction caused by the old methods.

b. Continuation of efforts to inform fully the grain importers of foreign countries as to the benefits and advantages which they may derive from the administration of the United States Grain Standards Act. The importance of this point will be appreciated when it is understood that before the war the majority of European importers would not buy American grain when they could buy elsewhere. The administration of the act, with which the Bureau of Markets is charged, establishes a new and very satisfactory basis of grade and inspection, and if properly brought to the attention of foreign buyers it will serve to secure for the American grain industry a far better position in foreign trade.

c. An investigation of the marketing of American grain and grain products in European countries as to the competition encountered, the trade practices involved, the respects in which the American trade can be improved, and the possibilities of developing markets in Europe and elsewhere for grain products and by-products.

d. An investigation of foreign markets for American seeds. The importance of this work is greatly enhanced on account of the Russian situation, that country being a large exporter of seeds in normal times. Seed marketing experts were sent to Europe early in January for the purpose of studying the demands and methods of marketing.

2. *Cotton and Cottonseed Products*

a. Continuation of investigations and activities looking to the universal adoption of uniform cotton standards.

b. Periodical investigations and reports on the world's supply, consumption, and consumptive demands of cotton.

c. Continuation of work looking to the development of foreign markets for American-grown Egyptian cotton, the production of which is rapidly increasing in the Southwest.

d. An investigation of the business methods of European cotton merchants and their exchanges, encouraging wherever possible direct trade relations in purchase, arbitration, and exchange.

e. A study of foreign markets for cottonseed products as to the supply, demand, and possibility of developing the markets for the refined products, including a study of trade practices and methods.

3. *Livestock and Meats*

a. Continuation of the survey of the livestock situation in Europe as to the supply and possible demands upon America during the readjustment period, giving assistance to American breeders and exporters in supplying the demands. Two experts, representing the Bureau of Markets and the Bureau of Animal Industry, were sent to Europe early in February for an extensive investigation of the livestock, meat and dairy situation.

b. The dissemination among European importers and breeders of information relative to the American livestock industry as to sources of supply of the various breeds, and other information which may be of help to them in making purchases in America. Information is now being assembled for this purpose.

c. The accumulation and dissemination of information relative to world trade in livestock and the position of the American industry in the trade.

d. A survey of the extent to which Europe may require importation of meat and meat products during the next few years until the European herds may be increased to normal.

e. Periodical surveys of the meat supply and market situation throughout the world, with particular reference to the conditions in Australia and the Argentine which are large sources of supply.

4. *Dairy and Poultry Products*

a. A study of the possible extent of European demands for dairy products during the period of readjustment. Now in progress in connection with the livestock and meat investigations of the bureau.

b. An investigation of the methods under which American dairy and poultry products are exported and marketed in the

foreign countries, with particular reference to the medium through which the products are handled.

c. Periodical surveys of the conditions in the world's trade in dairy products.

d. A study of the possibilities of developing foreign markets for American dairy and poultry products and the best methods of procedure to be followed by American producers and exporters.

5. *Fruits, Vegetables, Nuts, and Honey*

a. Continuation of investigations of foreign markets for fresh and dried fruit, with assistance to fruit shippers in reconstructing the former substantial trade with Europe and in developing export outlets in other directions. Bulletins to be issued in the near future giving results of fruit market investigations recently completed in the Far East and Australasia.

b. Continuation of investigations and experiments in the physical handling of fresh fruits and vegetables in transit to overseas countries, looking to improvement in methods of stowage and reduction of the extensive loss incurred from deterioration on the steamers.

c. A study of the possibilities of expanding the foreign trade of the United States in vegetables, both fresh and dried, including potatoes.

d. An investigation, in close coöperation with the Bureau of Foreign and Domestic Commerce, of the export trade in canned fruits and vegetables and vegetable oils, as to the possibilities of developing the export outlet, the methods of marketing and the demands of foreign countries.

e. An informational service on foreign markets for nuts and honey.

6. *Tobacco*

The accumulation of information as to the stocks and consumption of leaf tobacco in foreign countries, and as to the condition of the markets for the several classes, with studies of marketing and distributing methods.

7. *The Export Forwarding and Transportation of Agricultural Products, and Marine Insurance*

a. An investigation of the methods of forwarding agricultural

products to overseas countries as to the steps which must be taken by the shippers in securing space and arranging for shipments.

b. The methods of steamships in loading and discharging cargoes and in adjudicating and settling claims for damage.

c. Collection and information as to ocean freight rates on the various agricultural products both from the United States and from foreign countries to the principal foreign markets.

d. A study of marine insurance for agricultural products as to the extent of risks assumed, the rates charged, and the possibility of securing insurance to cover risks heretofore not covered.

8. *Assistance to Producers and Exporters in Developing Foreign Markets*

a. The organization and dissemination of useful information among producers, their organizations, and exporters, relative to foreign markets, trade opportunities, trade mediums, methods of marketing, and the other subjects investigated.

b. The encouragement of special production and approved methods of grading, packing and branding to meet peculiar foreign demands.

c. The encouragement of foreign marketing organizations among the producers under the provisions of section 6 of the Clayton Act, with assistance to the producers in forming such associations.

d. The encouragement of foreign marketing organizations among exporters of agricultural products under the provisions of the Webb-Pomerene Act, with assistance to exporters in forming such associations.

ORGANIZATION AND FACILITIES FOR CARRYING ON THE WORK

1. *In the United States*

a. Foreign trade specialist in charge of division, with headquarters at Washington.

b. Investigators for work among exporters, forwarding agents, steamship operators, port corporations, to secure the large amount of information which is available among these firms relative to the foreign marketing of agricultural products and to assist in the improvement of methods and in the solution of export problems.

c. Research, statistical and editorial assistants, including translators, for assembling from foreign publications information for

use in answering inquiries and preparing publications relative to foreign markets and world trade in agricultural products.

d. A publication to be developed as soon as practicable, as a means of disseminating useful information relative to foreign markets and promoting the interests of American agriculture in world trade.

e. The assistance of the bureau's organization as a whole, with the extensive staffs of commodity experts, branch offices, and market reports in the various lines.

2. For Foreign Countries

a. Several agricultural trade commissioners, as permanent representatives in Europe, with assignment to definite posts and territories, providing them with ample facilities for the performance of their duties.

b. Special investigators, to be sent out from time to time as in the past, to make investigations in specific lines as the needs of the producers and exporters may require.

c. Coöperative assistance of the American consular service and the Bureau of Foreign and Domestic Commerce.

Space does not permit more than a brief mention of agriculture's interest in foreign trade, and the plans and work of the Bureau of Markets to serve that interest. It may be fitting to state that the exporters, those who have nothing to do with the question of production or of initial distribution to market centers or the ports of the country, can be of inestimable service in promoting agriculture's interest in foreign trade. They can do much to find new markets, to improve handling and shipping facilities, to keep up the price to the producer and keep down the cost to the foreign consumer and to find and develop new markets. As a rule the producers are unable to participate directly in export trade. Except where they may be effectively organized, they must depend entirely upon inland and export merchants to improve and develop the export outlet. In view of the vast extent of the industry both as to investment and production, with what it entails to the prosperity and happiness of a large percentage of the population, the merchants, or middlemen, as they are called, have a most important mission to perform aside from the business of money making.